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3) Prime Minister's Official Residence (Kantei)

Prime Minister's schedule, July 30

NIKKEI (Page 2) (Full)
July 31, 2008

09:54

Arrived at Haneda Airport to send Crown Prince Naruhito off to Tonga.

11:00

Arrived at his official residence.

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11:07

Met at the Kantei with Administrative Reform Minister Watanabe and Public Servant System Reform Taskforce Head Tachibana. Handed a written appointment over to Assistant Deputy Chief Cabinet Secretary Kaai, with Chief Cabinet Secretary Machimura and deputy chief cabinet secretaries Ono, Iwaki, and Futahashi.

12:02

Met journalist Soichiro Tawara, Central Japan Railway Company Chairman Yoshiyuki Kasai, and others at the Garden Court Clut in the Hotel New Otani.

13:27

Met at the Kantei with Futahashi. Followed by Machimura.

13:52

Met Secretary General Ibuki and Machimura. Ibuki stayed behind.

14:25

Met Machimura.

15:25

Met Cabinet Intelligence Director Mitani.

16:11

Received greetings from reassigned senior members of the Ground, Maritime, and Air Self-Defense Forces.

18:31

Met Machimura. Followed by Futahashi.

19:04

Returned to his official residence.

4) Prime Minister to carry out shuffling of his cabinet, mostly likely on Aug. 4

MAINICHI (Top play) (Abridged)
July 31, 2008

Prime Minister Yasuo Fukuda yesterday firmed up his intention to carry out in early August a shuffling of his cabinet, with the most likely date being August 4. The Prime Minister on the afternoon of July 30 met with Liberal Democratic Party (LDP) Secretary General Ibuki at his official residence, and he told him that after receiving the reports on the WTO talks in the evening of July 31 from Agricultural Minister Wakabayashi and Minister of Economy, Trade, and Industry Amari, who are returning to Japan today, "I will make my own decision, and then discuss my thinking with the party." The Prime Minister last evening told the press corps this about the cabinet shuffle: "It is necessary for me to properly bring this matter to a close."

A prime ministerial aide explained the Prime Minister's statement: "The Prime Minister will carry out a shuffle. Coordination is about finished." In connection with the shuffle, the focus will be on how he will rebuild his team, against the background of the public uncertainty growing toward the economy that is being buffeted by soaring oil and food costs, and the need to strengthen economic measures and an election strategy, with an eye on the timing of the next Lower House election. The proposal also has been floated of

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adding economic advisers to the current group of three prime ministerial assistants.

In connection with managing the political situation, including the cabinet shuffle, the ruling parties' secretaries general, policy council chairpersons, and Diet affairs chairpersons met yesterday morning at a hotel near the Diet building. They agreed to discuss separately the timing of the extraordinary Diet session, about which views are split in the ruling camp about convening it in late August or late September in connection with the issue of extending the Anti-Terrorism Special Measures Law, and the cabinet shuffle. After the meeting, the Komeito's Diet Affairs Committee chairperson told the press, "We will not link the question of whether to shuffle the Cabinet or not to the issue of the timing of the convening of the extra Diet session."

With the Komeito, which is seeking a late September convening of the extra Diet session, having in mind a delay in extending the Anti-Terrorism Special Measures Law, having agreed to an early shuffling of the cabinet, the Prime Minister will soon meet with Komeito head Ota and inform him of his decision to shuffle the cabinet.

5) Is August 4, designated an unlucky day on the Buddhist calendar, a good day for a cabinet shuffle?

YOMIURI (Page 4) (Full)
July 31, 2008

The prevailing view about setting the date for a cabinet shuffle has always been whether the day is auspicious or not.

Many in the ruling coalition presume that Prime Minister Yasuo Fukuda will likely shuffle his cabinet on August 4, but that date on the Buddhist calendar is designated as an extremely unlucky day (butsumetsu). In the postwar period from the Higashikuni cabinet to the Fukuda cabinet, there have been 84 cabinet shuffles. Looking at when they occurred the recurring six-day cycle of lucky and unlucky days that are incorporated into Japanese calendars: 20 shuffles were carried out on a day called senbu (when actions achieve no results); 18 on a day called taian (a lucky day); 16 on a day called tomobiki (a good day for weddings and bad day for funerals); 13 on a day called shaku (when the moonlight hours alone are auspicious); 12 on a day called sensho (win the first game); and 5 on the day called butsumetsu (a very unlucky day).

It is rare to carry out a cabinet shuffle on a day when bad luck is everywhere.

Fukuda completed the formation of his cabinet last Sept. 25 (also a very unlucky day), but the Imperial attestation ceremony for his cabinet was held on Sept. 26 (taian). So, at least the Fukuda cabinet was formally inaugurated on a lucky day.

The last cabinet to have been formed on a very unlucky day (butsumetsu) was the second Nakasone cabinet, which was launched on Dec. 27, 1983.

6) Cabinet shuffle possibly on Aug. 4; DPJ to watch situation calmly while hoping for early Lower House dissolution

MAINICHI (Page 5) (Excerpts)

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July 31, 2008

Prime Minister Yasuo Fukuda has made up his mind to shuffle his cabinet early next week. The major opposition Democratic Party of Japan basically intends to watch the situation calmly to determine the party's move. DPJ President Ichiro Ozawa reiterated his stock argument of taking power through a Lower House dissolution and snap general election, with a party executive predicting a general election in November to apply pressure on the prime minister.

DPJ Deputy President Naoto Kan, in a lecture meeting in the city of Fukuoka yesterday, said: "The prime minister has not been able to make decisions on three points: a cabinet shuffle, the convocation of the next extraordinary Diet session, and a Lower House dissolution. He is such an indecisive person." Kan also indicated that his party would discuss a response to the extraordinary Diet session once the ruling bloc's plan on the three factors becomes clear.

President Ozawa held a press conference in Sapporo yesterday in which he underlined the need once again for a change of government. He said: "Mr. Fukuda's aptitude is a problem. The current LDP administration has not been able to deal with a variety of issues. The LDP should become an opposition party and restudy matters."

The LDP's coalition partner New Komeito seems reluctant to extend the new Antiterrorism Special Measures Law, the legal basis for the continuation of the Maritime Self-Defense Force's refueling operations in the Indian Ocean. This has resulted in the shared view in the DPJ leadership that there is growing momentum in the ruling bloc to unseat Fukuda. Some LDP members think that it is inadvisable to face a Lower House dissolution and general election under Prime Minister Fukuda.

Under the situation, Diet Affairs Committee Chairman Kenji Yamaoka predicted a general election in November during a press conference in Oyama City, Tochigi Prefecture. He said: "(The next general election) will occur in November. If that does not happen, Lower House dissolution will occur under someone other than Prime Minister Fukuda. The current administration is losing steam and is of the conclusion that it is advisable to carry things out at the earliest possible time. They are in a way copying our approach of doing things after taking power, though what happens afterwards is of no concern to them."

Why is prime minister waiting for return of two cabinet ministers?

Prime Minister Fukuda indicated yesterday to LDP Secretary General Bunmei Ibuki that he would make a decision on a cabinet shuffle after two cabinet ministers return home from WTO trade talks. That is because the prime minister thinks it would be rude to discuss a cabinet shuffle before the two have returned home, as they conducted marathon trade negotiations for the sake of the national interest, according to a senior government official. Envisaging a cabinet shuffle in early August, Foreign Minister Masahiko Koumura forwent a trip to three countries, including India. According to the Cabinet Affairs Office, it is possible to shuffle the cabinet even when cabinet ministers are not in Japan.

In shuffling the cabinet, it is customary for the prime minister to convene an extraordinary Diet session and receive letters of resignation from all cabinet ministers. It is followed by the

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appointment of new cabinet ministers by the prime minister and an attestation ceremony at the Imperial Palace. Koumura is believed to have cancelled his overseas trip in consideration of the countries he was supposed to visit and of a situation in which he would have to attend an extraordinary Diet session.

According to the Cabinet Affairs Office, the submission of letters of resignation by cabinet ministers is not required by law, and the prime minister is allowed to confirm cabinet ministers' intention to

resign over the phone. Prime Minister Fukuda apparently said he would wait for the two cabinet ministers to return home in maximum consideration for harmony in the ruling camp.

7) DPJ leadership race: Okada not eager to run; Noda, Eda now seen as possible candidates to run against Ozawa

NIKKEI (Page 2) (Excerpts)
July 31, 2008

Democratic Party of Japan Vice President Katsuya Okada, delivering a speech at the Japan National Press Club yesterday, expressed reluctance to run in the party's presidential race, saying, "At present, I don't have a strong desire." It was the first time for Okada, who was regarded as a possible candidate, to officially clarify his stance. With chances growing that DPJ President Ichiro Ozawa will win a third term, moves by Yoshihiko Noda, Yukio Edano and others as possible candidates against Ozawa are likely to draw attention.

Touching on his responsibility for the party's defeat in the 2005 Lower House election, Okada said: "I have thought that I should practice self-control until the results of the next Lower House election come out. If I were to lead the campaign, it would be a repetition of the same election. Even if I clearly present a vision on fiscal resources and policy, I would not be able to say with confidence that the environment has drastically changed since 2005."

He also said about Ozawa: "There is no question about his great accomplishments in the previous Upper House election. He has done superbly since then as well." At the same time, Okada indicated that ideally the leadership race should be fought by a number of candidates, saying, "The leadership race proves a good opportunity for policy debate. It can be defined as a step toward the next Lower House election."

Until yesterday, Okada had remained mum about the possibility of joining the race. Now that he has showed a strong negative stance, moves in the DPJ to field candidates against Ozawa are likely to enter a new phase.

Although mid-level and young members are eager to back Noda, Noda himself has kept silence about the race. Their calls for Noda's candidacy are likely to grow. The Ryounkai group composed of mid-level and junior members who are close to Seiji Maehara is also likely to accelerate efforts to find a rival to Ozawa. Edano has indicated to other DPJ members that he would consider running if Okada does not throw his hat in the ring.

At the same time, the move, centering on the party leadership, to realize Ozawa's third term is gaining momentum. Diet affairs chief Kenji Yamaoka, in a press conference yesterday in the city of Oyama

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in Tochigi Prefecture, positively evaluated Okada's remarks as coming from his good sense in consideration of the party.

Meanwhile, Deputy President Naoto Kan, in a workshop held in Fukuoka by a group of lawmakers close to him, commented: "The party head should look tough to rivals. The LDP thinks Mr. Ozawa formidable." In the meeting, many voiced support for Ozawa. Support for Ozawa is also spreading among former members of the Social Democratic Party and the Japan Socialist Party. "More than half of the DPJ lawmakers are supportive of Mr. Ozawa," a senior member said.

8) Cabinet reshuffling plan to be announced today: Ruling camp to put off decision on extraordinary Diet, amending new refueling bill; Fukuda in precarious situation

TOKYO SHIMBUN (Page 2) (Abridged slightly)
July 31, 2008

The Liberal Democratic Party (LDP) and the New Komeito have been at odds over when to convene the extraordinary Diet session and how to

deal with a bill amending the New Antiterrorism Special Measures Law. The LDP has decided to postpone a decision until after a cabinet shuffle and a reshuffle of the leadership of the LDP.

LDP Secretary General Bunmei Ibuki at a meeting of the secretaries general, Diet affairs committee chairmen and policy research council chairmen of the ruling parties held at a Tokyo hotel on the morning of July 30 said, "We will have the new leadership consider when to convene the extraordinary Diet session and how to deal with the bill."

Ibuki and Tadamori Oshima, chairman of the LDP Diet Affairs Committee, had envisaged a scenario of convening the extraordinary Diet session in late August, by extensively speeding up the timetable of the average year. The frontloading is aimed at securing a Diet deliberation schedule to readopt an extension of the refueling law in the Lower House and enact it by January 15 next year, when the new refueling law, which serves as the basis for refueling operations by Self-Defense Force personnel in the Indian Ocean, expires.

The New Komeito has been calling for convening the extraordinary Diet session in late September, saying that it is not necessary to forcibly enact the bill amending the new refueling law, as the public's views on that are divided.

With a possible dissolution of the Lower House around the turn of the year in mind, New Komeito is calculating that it would be wise to give priority to such issues as measures to address the steep rise in crude oil prices, including compiling a second budget, instead of readopting the bill, which could incur a negative reaction from the public.

Since many in the LDP are envisaging a political schedule of shuffling the cabinet in early August and convening the extraordinary Diet session in late August, some New Komeito members have been cautious about a cabinet shuffle as well.

The LDP's decision to postpone convening the extraordinary Diet session until after a cabinet shuffle came amid the ongoing confrontation with the New Komeito leadership. The New Komeito was dismayed at developments, with one senior official noting, "This is

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something we never anticipated. I do not know what the prime minister is thinking."

In the meantime, New Komeito Diet Affairs Committee Chairman Yoshio Urushibara expressed hope for talks with the new LDP leadership, noting, "The timing for a cabinet shuffle and for convening the extraordinary Diet session are not linked."

A senior Upper House member of the LDP also welcomed the move, noting, "Since things are not moving well under the present LDP leadership, it would be better if the new leadership holds talks with the New Komeito."

However, one senior LDP official said, "We will not let New Komeito have its way. If the refueling operations in the Indian Ocean are suspended, a diplomatic problem will occur." A number of LDP members share this view.

An LDP source pointed out the importance of how the prime minister deals with the situation, saying, "If the prime minister stumbles over this issue, the New Komeito might decide to oust him."

9) New Komeito distancing itself from Prime Minister Fukuda; concerned about possible uphill battle in Lower House election

YOMIURI (Page 4) (Excerpts)
July 31, 2008

The New Komeito, the junior coalition partner of the ruling Liberal Democratic Party (LDP), has begun distancing itself from Prime Minister Yasuo Fukuda, whose approval rates have continued to stay

low in the opinion polls. The party is concerned that the ruling camp will inevitably face an uphill battle in the next House of Representatives election. Some New Komeito lawmakers have called for Fukuda to step down as prime minister. The New Komeito has been pressing to have its views heard about the timing of the convening of an extraordinary Diet session and the handling of a bill amending the New Antiterrorism Special Measures Law (for refueling missions in the Indian Ocean).

The LDP and New Komeito secretaries general yesterday discussed the future political timetable. However, the two officials failed to reach agreement on issue of the timing of the extra Diet session and the passage of the new antiterrorism law, but the New Komeito was willing to accept a cabinet shuffle which Fukuda is now considering.

The New Antiterrorism Special Measures Law, which expires next January, allows the Maritime Self-Defense Force (MSDF) to carry out refueling operations in the Indian Ocean. Fukuda hopes to continue the MSDF's refueling mission there. Based on Fukuda's intention, LDP Secretary General Bunmei Ibuki has insisted that the extra Diet session be opened in late August to allow time to pass the law by an overriding vote in the Lower House. The New Komeito, however, has been reluctant to take a revote and insists that the session be convened in September.

New Komeito Diet Affairs Committee Chairman Yoshio Urushibara yesterday told reporters: "I think we should not presuppose an overriding vote in the Lower House."

The New Komeito and the religious sect Soka Gakkai, the New

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Komeito's main backer, have taken a cautious stance toward overseas deployment of the Self-Defense Forces (SDF). A party member said:

"If we take an overriding vote on the antiterrorism legislation, the Democratic Party of Japan (DPJ) and other opposition parties will criticize us. As a result, the New Komeito will have to take all the blame."

Since Junya Yano, former New Komeito chairman, has taken a legal action against the Soka Gakkai, claiming damages, an LDP official pointed out: "For fear of the possibility of Yano being summoned to testify as a witness before the Diet, the New Komeito wants to shorten the term of the extra Diet session."

The New Komeito had positively supported Fukuda's political stance, such as a policy of placing importance on the average people. The party is now changing its position toward Fukuda.

10) WTO talks collapse: Japan faces need for agricultural reform

TOKYO SHIMBUN (Page 9) (Excerpts)
July 31, 2008

Key unofficial ministerial talks of the new round of free trade talks (Doha Round) under the World Trade Organization (WTO) ended in failure, although a historic deal was in sight at one point. Japanese farmers feel relieved because they would have been placed at a disadvantageous business situation if an accord had been struck. However, Japanese agriculture's "weakness" was underscored in the talks.

A member of JA Hokkaido Agricultural Cooperative said: "We cannot budge even an inch on such items as dairy products, sugar beet, and adzuki beans. We welcome the breakdown of the talks." A JA Okinawa Agricultural cooperative member commented: "Since there was a high possibility that the sugar industry in the prefecture would suffer a setback, we now feel relieved." A JA Gunma Agricultural Cooperative member also said: "We will not face a crisis of an influx of cheap tuberous roots of konjak from China for the time being."

Agricultural groups where farmers pool their products protected by high tariffs all expressed their welcome for the breakdown of the

talks. If the talks had been concluded, Japan would have been pressed to significantly lower tariffs on certain farm products and Japanese products would have eventually been exposed to competition from cheap imports.

The latest talks exposed a wide gap existing between the level of liberalization being sought by many other countries and the present state of Japanese agriculture. Japan's target for the number of "sensitive products" to be exempted from sharp tariff cuts was ignored in effect, and Japan was about to be forced to make a substantial concession.

Mizuho Research Institute chief researcher Junichi Sugawara commented:

"We should not be pleased with the preservation of the status quo but must be aware of the need to reform agriculture by encouraging newcomers and to increase full-time farmers in order to change the current weak Japanese agricultural structure."

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11) Cabinet Office revises assessment in key economic index downward

MAINICHI (Page 1) (Excerpts)
July 31, 2008

The Cabinet Office is expected to revise the overall economic assessment in the diffusion index of economic indicators for June due out on Aug. 6 downward to "deteriorating," showing a high possibility that the economy is in a recession. The industrial production index for June dropped by 2.0 PERCENT compared to the previous month, and it is now certain that the coincident index will also drop from the previous month. The assessment reflects these negative factors. It is likely that the economic expansion that began in February 2002, the longest postwar expansion, is now over and that the economy is in a recession.

12) Bill related to consumer agency specifies government's responsibility for protection of consumers

TOKYO SHIMBUN (Top Play) (Excerpts)
July 31, 2008

The government plans to submit to the next extraordinary Diet session three bills related to a consumer agency, which it plans to establish next fiscal year. Their full texts were revealed yesterday. "A bill to prevent harm to consumers" specifies that the central and local governments are responsible for preventing the occurrence or expansion of damage to consumers. Under the law, if a company does not follow an order issued by the government, for instance, to recall harmful food products, to terminate a contract that involves fraudulent practices, or to stop using dangerous facilities, the company will be required to pay a fine of up to 100 million yen. The law mandates local governments concerned to promptly inform the consumer agency if serious harm is done to consumers.

The government aims to prevent any kind of harm to consumers under the new legislation. As penalties, the bill stipulates a maximum prison term of one year or a fine of up to one million yen. It intends to severely punish companies unwilling to take measures to prevent harm, regardless of the products or sales methods.

"A bill to set up a consumer agency" proposes establishing a consumer policy committee in which consumers' opinions will be reflected in administration. "A bill revising the Cabinet Office Establishment Law" calls for making the post of minister of consumer affairs permanent. The government also plans to hurriedly work out a bill to place 29 ordinances related to consumer administration under the jurisdiction of the consumer agency. It intends to adopt the four bills at a cabinet meeting in early September.

13) U.S. military realignment still murky ahead

MAINICHI (Page 2) (Full)
July 31, 2008

The Defense Ministry has now decided to designate the city of Zama in Kanagawa Prefecture as applicable to receive an incentive subsidization that is reserved for certain municipalities across the nation in return for their acceptance of the planned realignment of U.S. forces in Japan. The Defense Ministry deems that Zama City,

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which has opposed the U.S. military's realignment, is now taking a flexible position. The realignment subsidies, as part of the state's "carrot and stick" policy, are to be paid out to all 39 base-hosting municipalities. In the cases of some local governments, however, their standards for accepting realignment plans are vague. The government is therefore facing difficulties in negotiating with those particular governments, so the future course of realignment plans remains unclear.

Zama Mayor Katsuji Hoshino yesterday met with Defense Minister Shigeru Ishiba at the ministry. In the meeting, the mayor accepted the Defense Ministry's proposal of a plan yesterday to set up a consultative body for the government and municipalities to discuss such issues as alleviating local burdens. The mayor also told Ishiba that the city has decided to dissolve its antibase council. He is to retire in September, so he is believed to have calculated the right timing for a softening of his attitude. The Defense Ministry will now go through procedures to designate Zama eligible for subsidies, citing that it has obtained the mayor's understanding to a certain extent for the realignment.

The government will increase the amount of realignment incentive subsidies according to the degree of local cooperation and will not subsidize anti-realignment municipalities. The government decided at first to forgo its designation of six municipalities. However, the government later designated Nago City and Ginoza Village in Okinawa Prefecture and Iwakuni City in Yamaguchi Prefecture. The government has therefore decided informally to disburse a total of 6.1 billion in the current fiscal year. Zama City was the only municipality yet to be designated.

All municipalities are now falling into step with the planned U.S. force realignment. The government's subsidization of municipalities is preconditioned on their acceptance of realignment plans. However, their standards are vague. "I have never asked the government to give us money," Hoshino told reporters, adding that the government should take measures on its own responsibility to alleviate local burdens. Meanwhile, Nago City has also been designated for state subsidization but is still asking the government to move the relocation site of Futenma airfield into the sea. The government's consultative body with Okinawa's prefectural and municipal governments is now deadlocked over Futenma relocation. "The effectiveness of subsidies will be limited in the end," a senior official of the Defense Ministry noted.

14) Okinawa delegates ask opposition parties to oppose Futenma relocation to Henoko

MAINICHI (Page 5) (Full)
July 31, 2008

The Okinawa prefectural assembly recently passed a resolution opposing the planned relocation of the U.S. military's Futenma airfield in the Okinawa prefectural city of Ginowan to a coastal area of Camp Schwab, a U.S. military base in the Henoko district of the island prefecture's northern coastal city of Nago. Meanwhile, a delegation of Okinawa prefectural assembly members, led by Yonekichi Shinzato from the Shamin-Goken Net party, called yesterday on four opposition parties' executives, including Democratic Party of Japan (Minshuto) Secretary General Yukio Hatoyama, and asked their parties to oppose the planned construction of a new base at Henoko. Hatoyama agreed with them, saying, "The government should find another

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relocation site outside Okinawa Prefecture or outside Japan."

15) JCP Chairman Shii promises cooperation to Okinawa assembly delegation in opposing the building of a new base and in scrapping the medical services plan for the elderly

AKAHATA (Page 1) (Excerpt)
July 31, 2008

Japan Communist Party (JCP) Committee Chairman Kazuo Shii and other party official met yesterday in the Diet building with a delegation of representatives of opposition parties in the Okinawa Prefectural Assembly. He stated his full support for the two requests of the delegation: opposition to the building of a new U.S. military base (in Okinawa), and the scrapping of the medical system set up for the elderly. The delegation consisted of five assembly members.

16) DPJ to boycott MSDF bill

NIKKEI (Page 2) (Full)
July 31, 2008

The government plans to present legislative measures to the Diet at its next extraordinary session, including the one for extending the Antiterrorism Special Measures Law in order to continue the Maritime Self-Defense Force's refueling mission in the Indian Ocean. In this regard, Kenji Yamaoka, chair of the Democratic Party of Japan (Minshuto) Diet Affairs Committee, delivered a speech yesterday in the city of Oyama, Tochigi Prefecture, and said: "Even if the censured prime minister tries to do something that is not for the public good, we will not spend even a minute for deliberations." He intimated that the DPJ would boycott Diet deliberations on the MSDF bill if the ruling parties intend to take a second vote on the bill in the House of Representatives after it is voted down in the House of Councillors.

17) ASDF plans flight training to Beijing

NIKKEI (Page 2) (Full)
July 31, 2008

The government made a formal decision yesterday to use a U-4 multipurpose assistance plane of the Air Self-Defense Force, instead of flying its own aircraft, for Prime Minister Yasuo Fukuda to visit China to attend the opening ceremony of the Beijing Olympics. The ASDF will fly a U-4 plane today from its Iruma base in Saitama Prefecture to Beijing for day-trip flight training in preparation for Fukuda's scheduled visit to China. This is the first time for the ASDF to land its aircraft in China, except for government aircraft.

18) Indonesian nurses, careworkers to arrive in Japan

MAINICHI (Page 2) (Abridged)
July 31, 2008

Japan and Indonesia have entered into an economic partnership agreement (EPA), under which Japan is to accept Indonesian nurses and careworkers. Indonesia will now send a total of 208 persons, broken down into 104 nurses and 104 careworkers. There were a total of 313 persons who wanted to work in Japan as nurses or careworkers. However, there is a decrease of more than 100 persons in the total

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number of Indonesian nurses and careworkers coming to Japan. Japan initially planned to accept a total of 500 persons (200 nurses and 300 careworkers).

SCHIEFFER